

A Resolution By:
Finance/Executive Committee

**A RESOLUTION ESTABLISHING PROCEDURES FOR
ENTERING INTO HEDGE AGREEMENTS FOR REVENUE
BONDS**

01-R-0156

WHEREAS, the City of Atlanta (the "City") may find from time to time that it is financially advantageous for it to hedge its revenue bonds ("Revenue Bonds") by entering into contracts ("Hedge Agreements"), including, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the City determines is to be used, or is intended to be used, to manage or reduce the cost of any Revenue Bonds, to convert any element of any Revenue Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty; and

WHEREAS, Section 6-401(a) of the City's Charter provides that the City Council of the City shall prescribe by ordinance or resolution the procedures to be followed in the making of contracts which shall bind the City; and

WHEREAS, Article X of Chapter 2 of the Code of Ordinances of the City of Atlanta, Georgia (the "Code"), known as the Procurement and Real Estate Code, is not applicable to Hedge Agreements because (1) Hedge Agreements do not fall within the definition of "contract" contained in Section 2-1102 of the Code and (2) Hedge Agreements do not involve the procurement of supplies, services, construction, professional and consultant services, and real estate, as contemplated by Section 2-1105(a) of the Code; and

WHEREAS, the City Council of the City desires to prescribe by resolution the procedures to be followed in the making of Hedge Agreements;

NOW, THEREFORE, The City Council of the City of Atlanta, Georgia, hereby resolves as follows:

1. The Chief Financial Officer may, upon determining that it is financially advantageous to the City, from time to time recommend that the City enter into Hedge Agreements in order to hedge specific Revenue Bonds, subject to the following requirements:

(a) no more than twenty percent (20%) of the aggregate principal amount of Revenue Bonds outstanding for any particular Enterprise Fund of the City may bear interest at a floating or variable rate, whether by its original terms or as a result of Hedge Agreements;

(b) each rating agency then rating the Revenue Bonds to be hedged shall confirm in writing to the City that the Hedge Agreement to be executed will not result in the reduction or withdrawal of its rating on the related Revenue Bonds to be hedged;

(c) the Hedge Agreement to be executed will comply with all applicable covenants contained in the bond ordinance(s) securing the Revenue Bonds to be hedged;

(d) each provider with which the City will execute a Hedge Agreement shall be selected either (1) through a competitive bidding process conducted by the Chief Financial Officer or (2) through a negotiated process conducted by the Chief Financial Officer, in which at least two (2) indicative prices and a fairness opinion of a valuation consultant employed by the City are received; with the decision of whether to select a provider through a competitive bidding process or a negotiated process to be made by the Chief Financial Officer after assessing relevant market conditions;

(e) each Hedge Agreement to be executed shall be authorized by ordinance or resolution of the City Council; and

(f) the City shall receive a legal opinion addressed to it to the effect that each Hedge Agreement to be executed will be a valid obligation of the City.

2. The Chief Financial Officer shall report to the City Council no less frequently than once each calendar quarter the City's position with respect to each Hedge Agreement in effect.

3. Any and all ordinances and resolutions, or parts of ordinances or resolutions, if any, in conflict with this Resolution are hereby repealed.

PASSED AND ADOPTED this _____ day of _____ 2001.